

EXHIBIT 62

Excerpt from Strategic Management Cases: Competitiveness and Globalization

STRATEGIC MANAGEMENT

COMPETITIVENESS & GLOBALIZATION • 10E



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CASE 25

The Ultimate Fighting Championship and Cultural Viability

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Lorenzo Fertitta, chief executive officer (CEO) and co-owner of the Ultimate Fighting Championship (UFC), walked into the empty Acer Arena in Sydney, Australia, sat down next to the Octagon in which the fights take place, and thought about how far the UFC had come in only a few short years. From an unsanctioned mêlée to a regulated sport, mixed martial arts (MMA) grew immensely in popularity in the United States, and the Australian fanbase was also clearly excited for the pay-per-view (PPV) event that was about to take place. The Acer Arena would soon be filled with more than 17,000 screaming fans waiting to see live fights in the Octagon. UFC 110 (Nogueira versus Velasquez) sold out in record time and the Australian fans could not wait, but would the rest of the world be this open to the UFC?

After an incredibly successful event in Australia, Fertitta had a lot to think about on his long flight back to Las Vegas. Should he pursue other international locales for similar live pay-per-view events? Could the UFC find success and support for this type of combat-based entertainment in other areas of the world? Would different cultures be willing to accept the sport or would there simply be too much of a cultural gap between various audiences? In other words, was the UFC a culturally viable business venture in new locations around the globe? Fertitta needed to consider a great deal of information in order to determine his course of action.

Tara L. Ceranic wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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The History of the Ultimate Fighting Championship

Mixed martial arts had existed since the original Olympic Games in Athens. The sport was originally called *pankration*, a word that combines two Greek words: *pan*, meaning “all,” and *kratos*, meaning “powers.”¹ Opponents used a combination of Hellenic boxing and wrestling and fought using any and all of their abilities until one participant was knocked unconscious or raised his hand to signal defeat.²

The popularity of *pankration* declined over the years as other combat sports developed in different areas of the world; the West favoured wrestling and the East saw a rise in the popularity of more traditional martial arts.³ In the 1930s, a form of MMA called *vale tudo* (meaning “anything goes”) rose to prominence in Brazil. *Vale tudo* matches were shown on television and took place in martial arts studios. The sport eventually made its way to the United States thanks to Rorion Gracie. Gracie was a member of the renowned Gracie jiu-jitsu family, often thought of as the founders of MMA in Brazil and a significant influence on the transmission of MMA to the United States.

MMA’s popularity developed steadily over the years and in 1993 the UFC was founded by Rorion Gracie, Art Davie and Bob Meyrowitz, president of Semaphore Entertainment Group (SEG), a corporation

that specialized in arranging live PPV sporting events.⁴ Considering the variety of martial arts forms and varied techniques within each (see Exhibit 1), the founders of the UFC wanted to determine which was ultimately superior. They began pitting opponents of different styles against one another in a no-holds-barred tournament in order to find “the Ultimate Fighting Champion.” The early marketing of the UFC “unapologetically peddled the burlesque of violence, the rage, the blood, even the chance of death.”⁵

This marketing approach caused many to question the organization and ethics of such a sport. The first six UFC events had no time limits, no weight classes, no mandatory safety equipment and very few rules. Observers assumed that “You’d have to have a death wish—or at least be a little unhinged—to put yourself in that arena.”⁶ These initial tournaments drew a great deal of negative attention as well as supportive fans. Many claimed that it was too violent; Senator John McCain, an avid boxing fan, famously remarked that the UFC was “barbaric,” “not a sport” and likened it to “human cockfighting.”⁷

McCain spearheaded a campaign to ban the UFC: he wrote letters advocating his views on the sport to the governors of all 50 states and many agreed that the sport was too violent.⁸ Mayors across the country held press conferences and announced that Ultimate Fighting was not welcome in their towns; as a result, the UFC was banned in New York State and lawsuits blocked it in other areas as well.⁹ “The thirty-six member-states in the Association of Boxing Commissions unanimously agreed to ban no-holds-barred fights”¹⁰ and the Nevada Athletic Commission would not sanction UFC bouts. UFC sponsorship was rejected on particular television stations that had previously only denied advertisements for the Ku Klux Klan,¹¹ and many venues would not rent their facilities to the organization.¹² UFC’s PPV options also faced difficulty when, in 1997, John McCain employed the power of the Federal Communications Commission (FCC), of which he was a member, and pressured cable companies to remove UFC events from their offerings.¹³ Dana White, UFC president, voiced his opinion: “Just to be totally clear: you could order porn on pay-per-view no problem,” but UFC was not allowed.¹⁴

Faced with pressure from many sources, Davie and Gracie sold their shares in UFC in 1995, leaving Meyrowitz alone at the helm of SEG. In 2001, with mounting legal fees and difficulties at every turn, the final original owner of the UFC decided to cut his losses and sell the organization.

Zuffa, LLC

When brothers Frank and Lorenzo Fertitta purchased the UFC for US\$2 million in January 2001, they also

established Zuffa, LLC.¹⁵ In Italian, the word *zuffa* means “to fight”: the brothers decided this would be an apt name for the sports management company they founded in Las Vegas.¹⁶ Initially, the Fertittas seemingly acquired little more than “a trademark, some unpaid bills and a few fighters’ contracts.”¹⁷ The purchase appeared to be more of a fun diversion than a business, as the brothers’ original ownership contract included the following dispute-resolution clause: “In order to resolve a deadlock among [board] members, Frank and Lorenzo shall engage in a jiu-jitsu match.”¹⁸

Although sometimes viewed as an overnight success after its purchase by the Fertittas, the UFC “continued to bleed money, with losses approaching \$40 million in 2004.”¹⁹ At one point, the Fertittas considered selling to avoid losing their family’s investments, but the only buyer offered \$4 million and they decided to carry on and attempt to expand the organization instead.²⁰

Frank Fertitta

In addition to his involvement with Zuffa, in 2011 Frank Fertitta was the chief executive officer and chairman of the board for Station Casinos, the casino operation founded by his father. Frank attended the University of Southern California where he obtained a bachelor’s degree in Arts and Sciences. He held various positions within Station Casinos such as general manager and chief operating officer. Due to his involvement with Station Casinos, Frank held a privileged gaming license in Nevada²¹ and, along with his brother, made Station Casinos into the fifth-largest gaming company in the United States.

Lorenzo Fertitta

In 2011, Lorenzo Fertitta was the CEO of Zuffa, LLC. Lorenzo obtained a bachelor’s degree in Business Administration from the University of San Diego and an MBA from the Stern School of Business at New York University. In 1993, he worked as an executive at Fertitta Enterprises, a private financial services organization, and dealt primarily with managing investment portfolios consisting of various marketable securities and properties. Lorenzo also held a privileged gaming license in Nevada and was involved as an active member on the board of directors for Station Casinos.

Lorenzo appreciated MMA as a sport and, due to his business education, he knew how to make it appeal to a larger audience. In 2008, Lorenzo stepped down as an active member of the board for Station Casinos and became full-time CEO of Zuffa to increase his involvement with the UFC.

Dana White

Dana White was born in Manchester, Connecticut, but attended high school in Las Vegas where he met the Fertitta brothers. He studied at the University of Massachusetts for two years, but dropped out to pursue his passion: boxing. He stated that he loved boxing for its lack of pretension:

*Two guys. One winner. One loser. . . . No spin. The rich guys didn't have an advantage, no matter how many roman numerals came after their name or what kind of car they had parked outside.*²²

Moving from job to job, White continued to train as an amateur boxer until 1992 when he decided that his career as a fighter was not promising enough to continue. He settled in Las Vegas, created a sports management company (Dana White Enterprises), and opened three gyms where he trained boxers.

White's connections through Dana White Enterprises led him to meet two emerging MMA fighters: Tito Ortiz and Chuck Liddell.²³ While managing Ortiz, White was introduced to his former manager, Bob Meyerowitz, president of Semaphore Entertainment Group, then owner of the UFC.²⁴ Meyerowitz told White that the struggling UFC was searching for a buyer and White quickly contacted Frank and Lorenzo Fertitta.

After the purchase by the Fertittas, White was named president of the UFC.²⁵ According to Zuffa management, White was not only the face of the organization, but part of the UFC brand. A popular figure with the public, White had more than 1.1 million followers on Twitter in early 2011, 125,000 followers subscribed to his YouTube videos and he was even nominated as one of Time Magazine's 100 most influential people of 2010.

Regulation of UFC

After the purchase of the UFC, Zuffa's first priority was legitimizing MMA as a sport. They intended to clean up the image created by the company's former owners, marketing the UFC not as a fight to the death competition, but rather, as "an incredible sport with amazing athletes."²⁶

Their vision relied on ensuring that the UFC was organized, regulated and controlled.²⁷ According to Bruce Buffer, announcer for all UFC events, "sanctioning provides a legitimization for the sport," and the Zuffa team was determined to have a sport that was regulated and legitimized.²⁸

In order to legalize the sport so that it could reach a wider audience, Zuffa asked states to regulate MMA. Much like boxing, MMA needed government regulations and specific rules that all fighters followed

within the Octagon. Requesting regulation was rarely done, and Zuffa had to invest a great deal of time and money to get the process underway. Zuffa created a department devoted to regulatory issues, and its executive vice-president and general counsel, Lawrence Epstein, hired additional regulatory consultants. Through these efforts, Zuffa streamlined the process of being regulated. Rather than starting from scratch in every state, Zuffa representatives presented each state with the plan for regulation that had worked in other states.

A large part of this regulatory process focused on the fact that Zuffa established rules for the Octagon (see Exhibits 2 and 3). Based partially on the rules of boxing, bouts were no longer untimed and weight classes were established. Due to these regulations, a five-year study (2002–2007) of injury trends in sanctioned MMA fights found that there were no critical injuries to any of the fighters involved in the study, and that the most common injuries were lacerations and upper extremity injuries.²⁹ The authors determined that "injury rates in regulated professional MMA competition [were] similar to other combat sports; the overall risk of critical sports-related injury appear[ed] low."³⁰

As of January 2011, MMA was regulated in almost every U.S. state with the exception of Connecticut, Vermont and New York. With the regulation of MMA came approval from some surprising sources: in 2007, John McCain was quoted as saying that the UFC "have cleaned up the sport to the point, at least in my view, where it is not human cockfighting anymore."³¹

Zuffa Acquisitions

In addition to the purchase of UFC, Zuffa also acquired three large former competitors. In March of 2011, Zuffa purchased Strikeforce, formerly their largest competitor. Strikeforce began as a kickboxing organization in 1985, but became involved with MMA in 2006. It signed several popular fighters³² and was the only organization that staged female bouts. Its events were not PPV and were available on Showtime and CBS, depending on the event. After the purchase, Dana White commented that, "Strikeforce [was] going to continue to run business as usual."³³ This included keeping Strikeforce management in place and fulfilling all Strikeforce contracts.

World Extreme Cagefighting (WEC) was founded in 2001 and focused on lighter weight classes; Zuffa purchased WEC in October 2006, and combined the organizations by including the WEC weight classes in UFC bouts in October 2010. White commented on

this acquisition: "It's time, as we continue to grow globally—we're doing enough fights to fold this thing into the UFC."³⁴

Pride Fighting Championships (Pride FC) was founded in Japan in 1997, and held more than 60 extremely popular MMA events.³⁵ In May 2007, Zuffa purchased Pride FC from Dream Stage Entertainment in Tokyo with the initial agreement that the organizations would remain legally independent entities with separate management. In October 2007, however, after senior Pride FC management refused to submit to background investigations, they were let go and Zuffa's management took control of the organization. As of March 2011, Zuffa was utilizing Pride FC's valuable library of MMA content on Spike TV's broadcast, *The Best of Pride Fighting Championships*.

Viewer Demographics

The primary viewing demographic of the UFC was thought to be men aged 18 to 34³⁶; however, the organization purported to market to everyone. According to Lorenzo Fertitta, the UFC attempted to be family friendly and, although it did not necessarily target children, it ensured that its broadcasts were censored. Swearing was removed from televised events and the "UFC Octagon Girls" wore what the organization described as "athletic attire" rather than bikinis.³⁷

Zuffa also made attempts to broaden the reach of the UFC, especially with African-American and Hispanic audiences. White insisted, "I don't care what color you are or what language you speak, we're all human beings and fighting is in our DNA."³⁸ This sentiment seemed to resonate with the fighters as well. Shonie "Mr. International" Carter was an African-American fighter and former Marine who began fighting in the UFC in 2000. He commented:

*I don't see myself as a racial athlete, so fans don't see me as one either. I don't care if you're black, white, green, or blue. I'm gonna hit you the same way: hard and frequently. I'm going to kick you, choke you, and manipulate your joints. Then I'm gonna shake your hand and buy you a drink, because I respect you for getting in that cage!*³⁹

Many popular fighters came from African-American and Hispanic communities,⁴⁰ and Zuffa wanted to increase their viewership within these demographics. It attempted to reach these groups by partnering with musical artists that were popular with African-American and Hispanic audiences, such as 50 Cent and LL Cool J.⁴¹ According to White:

*Originally, when the sports [media] wouldn't cover us, Hollywood did. Entertainers always want to be athletes, and athletes want to be entertainers. All the stuff we're doing with 50 Cent is giving us exposure because he's reaching out to his fans and letting them know what he's doing.*⁴²

For example, UFC 91 (2008) promoted a new 50 Cent single and premiered the music video—which starred several UFC fighters—during the event.

Furthermore, in March 2010, the first-ever UFC PPV (UFC 111) event was presented entirely in Spanish.⁴³ Announcers Troy Santiago and Victor Davila welcomed fans to the event, provided commentary and conducted interviews inside the Octagon for Hispanic fans all over the United States and Mexico. In October 2010 (UFC 121), Cain Velazquez, a Mexican-American heavyweight fighter, became the UFC Heavyweight Champion, which further increased UFC's exposure to the Spanish-speaking audience.

Marketing

Zuffa reached out to UFC fans in a variety of ways (see Exhibit 4). Its primary outlet was PPV events; however, between 2001 and 2008, attendance at UFC events rose by 400 percent.⁴⁴ These events occurred between 12 to 14 times per year and were the largest revenue generator for the organization.⁴⁵ With word of mouth and rapidly increasing popularity, PPV purchases took the growth of the company to the next level. In 2008, UFC generated an estimated 5,000,000 PPV purchases; in fact, UFC PPV numbers rivaled and often surpassed those of other combat sports such as boxing and professional wrestling (see Exhibit 5).

In order to reach an even larger audience, Zuffa designed a reality-based television program called *The Ultimate Fighter* (TUF). The winner of each season earned a six-figure contract as a fighter with the UFC. The show aired on Spike TV and helped propel the sport further into mainstream consciousness: "In just one season of television, TUF had done what 10 years of lobbying could not do: it had legitimized mixed martial arts."⁴⁶ With consistently high ratings, TUF became a major hit, showing fighters before, during and after their bouts in the Octagon. Zuffa also used its partnership with Spike TV to help create shows that centered primarily on upcoming PPV events. The UFC Countdown show focused on the fighters in the main event as well as the two fighters paired in the co-main event, highlighting their training camps and personal lives with the aim of gaining new viewers for the PPVersus.

Zuffa developed an assortment of other marketing outlets that collectively promoted its PPV events. In

2009, a highly successful video game, *UFC Undisputed*, was launched. The game was so popular that a new version was created and launched in 2010. Zuffa utilized the video game to promote upcoming PPV events by changing the writing on the mat (floor) of the Octagon in the game: players saw a different message depending on the upcoming PPV event.

UFC merchandise was another successful aspect of generating revenue. Zuffa focused on the distribution of clothing online and in sporting goods stores. The organization developed action figures of prominent fighters that were distributed as collectibles; only select fighters were released at a given time. The UFC also opened three gyms in California that focused primarily on MMA training to those interested in learning more about the sport; a UFC magazine debuted in August 2009 as well.

Popular social media applications were also a way for Zuffa to promote the UFC. Management and fighters utilized Twitter, Facebook and iPhone applications to keep fans up to date on the latest news of the UFC and its fighters. The interaction between fighters and fans via these applications increased brand awareness and dedication. According to Zuffa management, if it were possible, it would encourage its fighters to "tweet" between rounds from the Octagon.⁴⁷ Managers encouraged fighters to post video blogs in order to spark interest in upcoming fights and White published his own video blogs before fights.

The pre-fight weigh-ins were used as another tool to gain the interest of fans. These weigh-ins were broadcast live on the UFC website so that fans could log on and become part of the fight atmosphere. Preliminary PPV fights were also aired on Spike TV. The organization selected two or three fights to broadcast an hour before the fight aired: this allowed for last-minute anticipation surrounding the fights and drew PPV purchases from viewers who might not have planned to purchase originally.

Previous Internationalization of Sports

In the past, other American-based sports management organizations had made the choice to enter into international markets. This was a difficult transition for any organization to make, but the cultural components embedded in sports made it exceptionally challenging in some cases. Some sports were met with a great deal of success abroad, while others were forced to retire permanently from the international scene.

Baseball

Perhaps the sport with the greatest amount of success related to internationalization was baseball. Major League Baseball (MLB) drew players from around the world,⁴⁸ and countries such as the Dominican Republic, Cuba, China, Japan, Venezuela, Puerto Rico and Panama adopted the sport as part of their cultures. Many MLB teams had internationally based camps and academies that developed local talent. Competition for entrance to these training camps was fierce: in some of these countries, economic distress was common and baseball was viewed as a rare opportunity to achieve wealth and success in the United States.

National Football League (NFL)

In the early 1980s, British television station Channel 4 played a weekly American football highlight show that garnered surprisingly high ratings.⁴⁹ The number of British viewers of the program steadily increased and, in 1991, the NFL founded the World League of American football (WLAF), a professional American football organization slated to play games in North America, Europe and Asia.⁵⁰ The league had teams from across Europe⁵¹ and for several years it drew large crowds everywhere they played. However, the league was inconsistent: there were constant league name changes, season-long hiatuses and a roster of teams that changed from season to season which caused the international interest in American football to dwindle. In June 2007, NFL Europa (formerly WLAF) officially ceased operations.⁵² Even without the presence of NFL Europa, fans of American football still existed in the United Kingdom. Due to their interest, the Super Bowl continued to be broadcast on British television, and London hosted an NFL game every year since 2007.

Boxing

Important boxing matches typically took place within the United States; however, on the first two occasions that popular American boxers participated in bouts abroad, the response was enormous. The first event was the *Rumble in the Jungle* fight, held in Zaire (Democratic Republic of the Congo) on October 30, 1974. It pitted then heavyweight champion George Foreman against Muhammad Ali. A year later, the *Thrilla in Manila* match took place in the Philippines on October 1, 1975, featuring Muhammad Ali and Joe Frazier fighting for the Heavyweight Boxing Champion of the World title. Although internationalization was not built into the framework of boxing, these two events became key components of the sport's history. Both bouts were consistently included not only in

lists of top boxing matches, but also in records of the best sporting events in general. The decision to internationalize for particular fights brought the sport worldwide recognition and made its fighters household names across the globe.

UFC Internationalization

Since 1996 (San Juan, Puerto Rico: UFC 9), the UFC has been holding international events. However, beginning in 2008, the organization began to increase its international presence with events in Canada (UFC 115, 124), the United Kingdom (UFC 95, 120), Australia (UFC 110, 127) and Germany (UFC 99, 122) to name a few. Fertitta was at the forefront of the UFC's international expansion. Zuffa established television deals to bring the UFC to a multitude of locations around the world. In 2011, UFC programming reached more than 416 million households worldwide via 12 channels in Europe, nine channels in Asia, two in Australia, four in South America and three channels in the Middle East and North Africa.⁵³ Additionally, in September 2010, the UFC reached a deal with FOX Sports en Latinoamerica to broadcast programming to Argentina, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela.⁵⁴

In January 2010, Zuffa sold a 10 percent stake of the UFC to an Abu Dhabi-based live events company called Flash Entertainment.⁵⁵ Flash was a wholly owned subsidiary of the Government of the Emirate of Abu Dhabi, and ties to Flash allowed the UFC to penetrate new markets. Zuffa management hoped that this relationship would provide the UFC with more exposure in the Middle East and throughout Asia.⁵⁶

Potential International UFC Markets

With successful live PPV events in several international locations, Zuffa needed to assess the cultural viability of entering into further new markets abroad. Without a thorough understanding of where the UFC would be culturally acceptable, the financial viability of the venture would be in jeopardy. At the top of the company's list of possibilities were some areas of the world quite unlike those in which the UFC was already popular. In order to evaluate the viability of the UFC in these locations, Zuffa needed to consider the fundamental cultural elements of each locale.

China

China's growing gross domestic product (GDP),⁵⁷ along with its 1.3 billion inhabitants, made it an appealing

market for business organizations, but many companies discovered that tapping into the Chinese market presented unique obstacles. The cultural differences often proved challenging for American companies, as Chinese business etiquette was quite different from that of the United States. As a single-party state, the ruling Communist Party of China further complicated entrance into the Chinese market for international representatives. In China, "political control [was] dependent on economic growth, and economic growth require[d] the modernization of information technologies, which in turn ha[d] the potential to undermine political control."⁵⁸

Chinese culture was often described as being collectivist, meaning that individual needs were typically given lower priority than the needs of a community (family, work, team, etc.). There was strong emphasis on traditional Chinese values of trust and patience in business relations, though inequality of power and wealth existed within society, particularly within business organizations.⁵⁹ The Chinese were said to have an attitude of perseverance and a different attitude toward time because they viewed trust and patience as crucial components to any business agreement.⁶⁰ Members of Chinese culture were unwilling to enter into business dealings without an established relationship, and completing business agreements in China could take up to four times as long as elsewhere.⁶¹

In the past, Chinese consumers were often wary of outside cultural influences.⁶² One exception to this was the Chinese athlete Yao Ming, an international basketball sensation. Ming's connection to China fostered the popularity of basketball within the nation. However, the growth of the Chinese economy created an urban middle class that had the potential to instigate a cultural shift in favour of non-Chinese brands. These individuals were demanding Western luxury goods and had a significant amount of expendable income.⁶³ Considering the rich history of martial arts in China, Zuffa speculated that the new middle class may be persuaded to take an interest in the UFC and its merchandise as a way to combine their culture with their developing consumerism. As of January 2011, the UFC did not have any signed or up-and-coming Chinese fighters to forge this relationship.

Beginning in January 2010, UFC events were available via live stream on Sohu.com, China's equivalent to Yahoo Sports.⁶⁴ Sohu was the official partner of the NBA, ESPN, Adidas and Sports Illustrated in China, which made it a good fit for the UFC.⁶⁵ Sohu Sports did not have its own web page or area for the UFC; instead, UFC coverage was combined with pages on the Chinese martial arts Kungfu and Sanda. To combat this lack of coverage, Zuffa established a Chinese-language UFC website and an office in China in July 2010.

India

Like China, India was a rapidly developing area of the world, with a 2010 GDP growth rate of 8.6 percent and a population of more than one billion; also similar to China, this large population was incredibly economically diverse. Indian culture was often perceived as being very open to new ideas and having fewer rules and regulations than many other countries in the area, which allowed for the development of an entrepreneurial spirit.⁶⁶

Wrestling was very popular in India. Many Indians engaged in and watched traditional wrestling, known as Kushti, in which fighters grappled in a clay or dirt pit using judo and jiu-jitsu technique. Professional wrestling had a significant following in India as well: in 1996, The Great Khali became the first Indian professional wrestler to be signed by World Wrestling Entertainment (WWE).⁶⁷ Due to his size (over seven feet tall), fame as Mr. India (1995 and 1996) and appearance in Hollywood and Bollywood films, The Great Khali had many fans in India and around the world.

In contrast, many Indians had not been exposed to MMA, and the UFC did not have a presence in India as of January 2011. Nevertheless, there seemed to be budding interest in MMA as a sport. Fights took place across India, and a business called Tigers Gym called itself the “home of mixed martial arts in India.”⁶⁸ A 2009 story from Indian news network IBN reported that some Indians viewed MMA as second only to cricket as a sport that could provide the opportunity for Indian athletes to become professionals.⁶⁹ As of early 2011, there were no Indian fighters in the UFC, yet India had a rich tradition of martial arts practice and hand-to-hand combat as sport.

South Korea

South Korea's economy grew rapidly since the 1960s, and the country was so industrialized that it was thought to be “the most wired nation on the planet.”⁷⁰ Although its population was less than 50 million, South Korea was a G-20 major economy, a member of the Organization for Economic Co-operation and Development (OECD), ranked 12th in the world in purchasing power parity⁷¹ and was a fully functioning modern democracy.⁷² In December 2010, the United States finalized a trade deal with South Korea that was estimated to bring approximately US\$10 million dollars of American exports to the country.⁷³ South Korea's president Lee Myung-bak said that “[t]he accord is significant because it lays the groundwork for a ‘win-win’ relationship by reflecting the national interests of Korea and the United States in a balanced manner.”⁷⁴

South Korea had an inflexible labour market and had faced previous economic challenges, fostering a cultural preference for security rather than uncertainty.⁷⁵ Making business connections in South Korea was a process similar to doing so in China: it was imperative to have personal connections. Third-party introductions were crucial to beginning new business ventures.⁷⁶

Martial arts had been popular in South Korea for more than 2,000 years and were cited as one of the most recognizable cultural aspects of the country.⁷⁷ Taekwondo began as a military training technique but had gone on to become the national sport of South Korea and was instituted as an Olympic sport in 2000. It was widely practiced around the world and had been called the “world’s most popular martial art.”⁷⁸ In addition to taekwondo, Koreans practiced the martial art of hapkido, which combined the use of weapons with more traditional martial arts defenses such as kicks and punches.

Since 2008, South Korea had a major representative in the UFC: Dong Hyun Kim, a welterweight from Busan, fought six UFC bouts with a combined record of 13 wins, zero losses, one draw and one no-contest. Chan Sung Jung, “The Korean Zombie,” was slated to make his UFC debut in 2011, representing Po-Hang, South Korea. In addition to having fighters in the UFC, South Korea was home to two budding MMA promotion organizations: Spirit MC and Road Fighting Championship, both of which seemed to be having success despite previous South Korean MMA events being plagued with difficulties.⁷⁹ South Korea was also home to numerous gyms that trained elite MMA fighters.

The cultures of China, India and South Korea were each unique, yet shared some common traits. In order for the UFC to broaden its reach globally, the organization had to determine if the cultural profiles of these countries were suitable for the expansion of the sport.

Thoughts for the Flight

After watching the successful events in Australia, Lorenzo settled into his seat on the flight back to Las Vegas. He had the next 20 hours to contemplate the next steps for the UFC. Considering the history of the UFC and the challenges that cultural differences presented to sports-related organizations abroad, could he make a case for the UFC's cultural viability in these potential international markets? Should he move forward with pursuing these international locales for live PPV events, or was it best to continue holding events where there was already a large fanbase?

Exhibit 1 Types of Martial Arts Used in Mixed Martial Arts

	Origin	Main components(s)	Meaning/nickname
Boxing	Greece	Punching	Sweet science
Jiu-Jitsu	India, China, Japan, Brazil (BJJ)	Chokeholds, joint locks	Gentle art
Capoeira	Brazil	Acrobatics, feints, leg sweeps, takedowns	Wild grass cut short
Grappling	Greece	Clinches, submissions, takedowns	
Hapkido	Korea	Joint locks, kicks, punches	Way of coordinating energy
Karate	Japan	Elbow strikes, kicks, knee strikes, locks, punches	Empty hand
Muay Thai	Thailand	Elbow strikes, kicks, knee strikes, locks, punches	Art of eight limbs
Sambo	Russia	Leg locks, submissions, throwing	Self-defense without weapons
Sumo	Japan	Pushing, pulling, sweeping, tugging	To mutually rush at
Taekwondo	Korea	Kicks, punches	The art of the foot and the fist
Wrestling	Greece	Joint locks, pins, takedowns, throws	

Exhibit 2 UFC Bout Fouls

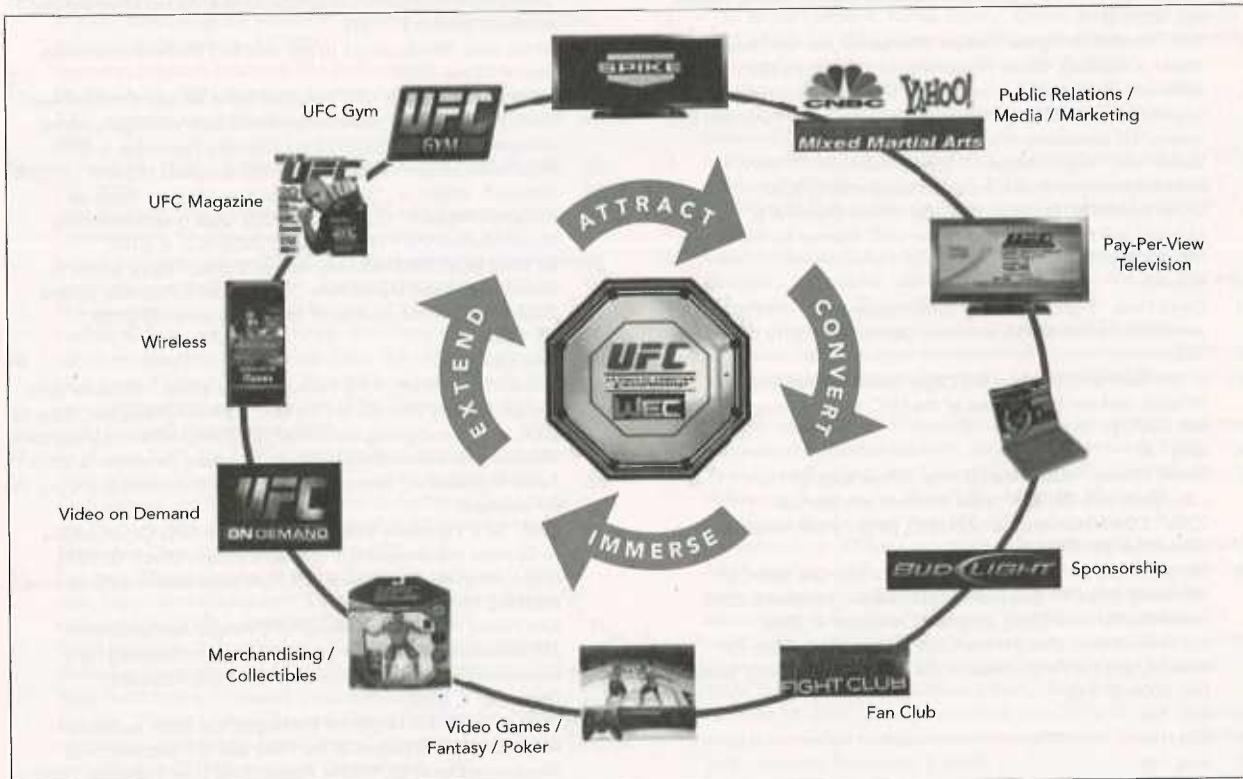
1. Butting with the head.
2. Eye gouging of any kind.
3. Biting.
4. Hair pulling.
5. Fish hooking.
6. Groin attacks of any kind.
7. Putting a finger into any orifice or into any cut or laceration on an opponent.
8. Small joint manipulation.
9. Striking to the spine or the back of the head.
10. Striking downward using the point of the elbow.
11. Throat strikes of any kind, including, without limitation, grabbing the trachea.
12. Clawing, pinching or twisting the flesh.
13. Grabbing the clavicle.
14. Kicking the head of a grounded opponent.
15. Kneeing the head of a grounded opponent.
16. Stomping a grounded opponent.
17. Kicking to the kidney with the heel.
18. Spiking an opponent to the canvas on his head or neck.
19. Throwing an opponent out of the ring or fenced area.
20. Holding the shorts or gloves of an opponent.
21. Spitting at an opponent.
22. Engaging in an unsportsmanlike conduct that causes an injury to an opponent.
23. Holding the ropes or the fence.
24. Using abusive language in the ring or fenced area.
25. Attacking an opponent on or during the break.
26. Attacking an opponent who is under the care of the referee.
27. Attacking an opponent after the bell has sounded the end of the period of unarmed combat.
28. Flagrantly disregarding the instructions of the referee.
29. Timidity, including, without limitation, avoiding contact with an opponent, intentionally or consistently dropping the mouthpiece or faking an injury.
30. Interference by the corner.
31. Throwing in the towel during competition.

Source: UFC.com, ND (original document extraction), www.ufc.com/about/Rules, accessed September 25, 2010.

Exhibit 3 Ways to Win

1. Submission by:
 - Physical tap out, verbal tap out.
2. Technical knockout by the referee stopping the contest.
3. Decision via the scorecards, including:
 - Unanimous decision** [all judges pick the same fighter as the winner].
 - Split decision** [One judge picks one fighter, the other two judges pick the other fighter].
 - Majority decision** [Two of three judges pick the same fighter as the winner, the final judge says the fight was a draw].
- Draw, including:
 - Unanimous draw,
 - Majority draw,
 - Split draw.
4. Technical decision.
5. Technical draw.
6. Disqualification.
7. Forfeit.
8. No contest.

Source: UFC.com, ND (original document extraction), www.ufc.com/about/Rules, accessed September 25, 2010.

Exhibit 4 UFC'S Brand Control

Source: K. Hendrick, "UFC," PowerPoint presentation courtesy of Zuffa, LLC., 2009.

Exhibit 5 Top PPV Purchases 2009

1. **UFC 100:** Brock Lesnar versus Frank Mir, July 11, 1.6 million
2. **Boxing:** Manny Pacquiao versus Miguel Cotto, Nov. 14, 1.25 million
3. **Boxing:** Floyd Mayweather Jr. versus Juan Manuel Marquez, Sept. 19, 1.05 million
4. **UFC 94:** Georges St. Pierre versus B.J. Penn, Jan. 31, 920,000 buys
5. **UFC 101:** Penn versus Kenny Florian/Anderson Silva versus Forrest Griffin, Aug. 8, 850,000
6. **Boxing:** Pacquiao versus Ricky Hatton, May 2, 825,000
7. **UFC 107:** Penn versus Diego Sanchez, Dec. 12, 650,000
8. **UFC 97:** Silva versus Thales Leites/Chuck Liddell versus Mauricio Rua, April 18, 650,000
9. **UFC 99:** Lyoto Machida versus Rashad Evans/Matt Hughes versus Matt Serra, May 23, 635,000
10. **Wrestling:** WWE WrestleMania 25, April 5, 582,000 buys

Source: Dave Meltzer, "UFC remains king of PPV hill," *Yahoo! Sports*, February 15, 2010, <http://sports.yahoo.com/mma/news?slug=dm-ppvbiz021510>, accessed December 5, 2010 (original document extraction).

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